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# SOGEPET LIMITED



1971  
ANNUAL REPORT





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# SOGEPET LIMITED

Head Office  
170 Bloor Street West, Suite 418  
Toronto 5, Ontario, Canada

## DIRECTORS

DOUGLAS A. BERLIS, Q.C.

JAMES P. MANLEY, Q.C.

WILLIAM F. MITCHELL

JOHN J. JODREY

DR. FRANC. R. JOUBIN

HAROLD TOWNSEND

## OFFICERS

DR. FRANC. R. JOUBIN, *President*

WILLIAM F. MITCHELL, *Vice-President*

MRS. C. A. WOLF, *Secretary-Treasurer*

## LEGAL COUNSEL

MANLEY, GRANT & CAMISSO

## TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA

## AUDITORS

LAVENTHOL KREKSTEIN HORWATH & HORWATH



# SOGEPET LIMITED

## *Directors' Annual Report, 1971*

TO THE SHAREHOLDERS OF SOGEPET LIMITED:—

The year under review was an active one for our Corporation. Our total exploration activities, for oil and gas, were directed to the Hudson and James Bay regions of Canada.

In March, 1971, the Aquitaine Company, as Operator for the Arco Group, entered into an agreement with a major offshore drilling contractor for the use in Hudson Bay of a semi-submersible offshore drilling rig to be built and ready for Hudson Bay operation in 1973.

During the year, we participated with associates in the drilling of a well, situated about 80 miles west of Moosonee, in the James Bay Lowlands. It added greatly to our knowledge of this basin, and a second well was planned during "freeze up" of late 1971. Drilling of the second well had to be postponed because inadequate freezing of the muskeg prevented transport of the rig to the hole location in time.

A substantial program of semi-detailed marine seismic surveying and bottom surveying and sampling was performed over the central offshore area of the Arco Group, mainly directed towards investigation of possible drill targets.

A modest program of marine seismic surveying was undertaken on the acreage in which we hold equity, with others, in the east-central portion of Hudson Bay. This seismic program was followed by a program of aero-magnetic surveying. Interpretation results from these surveys are proceeding.

Our Corporation and associates of the Texas Gulf Group had planned an integrated land and offshore work program to cover the "freeze-up" and "open water" periods in the northern islands area of Hudson Bay. However, the senior government placed much of this northern offshore area under a one year work moratorium, affecting portions of our Corporation's acreage. We were consequently forced to accept a postponement of the stratigraphic test well planned for the south-east coast of Southampton Island, and were restricted to performance of one-half of the marine seismic planned.

During the period, several of the Groups with which we are associated were faced with major permit surrender or renewal decisions, required under Federal regulations governing oil and gas exploration. A revised table of Acreage Holdings accompanies this report and summarizes the actions taken in this regard.

During the year, the Sun Oil Company Limited withdrew from the Arco Group and its permit equity was acquired, on a pro rata basis, by the remaining associates. Our equity in this group was thereby increased from 6.25% to 6.6%.

Inasmuch as the frontier exploration of the Hudson Bay region has advanced now to the point where structures suitable for drilling have been defined in some areas, our Corporation is now examining other regions, within and outside of Canada, in the search for other hydrocarbon opportunities.

At a Special Shareholders' Meeting, held on October 4, 1971, our Corporation's agreement with The Consumers' Gas Company was ratified, whereby Consumers' will finance our exploration in the Hudson Bay and James Bay Lowlands regions to a minimum of \$2,000,000. This expenditure will entitle them to the allotment of treasury shares amounting to about 47% of the then total issued shares. Consumers' may elect to make expenditures beyond this sum to the point where their entitlement to treasury shares could increase to about 52% of the then issued shares.

After consideration by your Board, the decision was taken to apply for registration of our Corporation on The Toronto Stock Exchange. Our application was accepted and our shares were listed for trading on that Exchange as of January 3, 1972.

It is with regret that we record the retirement from our Board during the year of Joseph Sedgwick, Q.C. Mr. Sedgwick was a founding pioneer of our Corporation and contributed his wise counsel to our Directors' Meetings continuously since 1962.

Mr. Harold Townsend, a representative of The Consumers' Gas Company, replaced Mr. Sedgwick on our Board.

It is a pleasure to record our thanks to our several Group operators and to R. D. Johnson, Consulting Geologist and our Calgary Office Manager, for their able management of our several joint programs during the year.

On behalf of the Board of Directors,

March 16, 1972

FRANC. R. JOUBIN,

# SOGEPET LIMITED

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## AUDITORS' REPORT

To the Shareholders of  
Sogepet Limited

We have examined the balance sheet of Sogepet Limited as at December 31, 1971 and the statements of deferred exploration and administrative expenditures, deficit, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1971 and its activities and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LAVENTHOL KREKSTEIN HORWATH & HORWATH

Chartered Accountants.

Toronto, Ontario,  
February 23, 1972.



# SOGEPET

(Incorporated under the law of the State of New York)

## Balance Sheet

### ASSETS

	December 31	
	1971	1970
<b>CURRENT:</b>		
Cash .....	\$ 10,883	\$ 24,623
Deposit receipts .....	483,050	575,000
Accrued interest .....	7,775	23,210
Work deposits refundable .....	—	40,339
Accounts receivable .....	17,246	300
	<u>518,954</u>	<u>663,472</u>
Work deposits on petroleum and natural gas exploratory permits (Note 1) ..	<u>129,153</u>	<u>89,813</u>
<b>CAPITAL ASSETS:</b>		
Interest in petroleum and natural gas exploratory permits, at cost (Note 2) .....	52,485	52,485
Deferred exploration and administrative expenditures .....	1,165,041	949,199
	<u>1,217,526</u>	<u>1,001,684</u>
Less net proceeds from sale of interest in petroleum and natural gas exploratory permits .....	317,500	317,500
	<u>900,026</u>	<u>684,184</u>
Organization and stock exchange listing expenses .....	20,294	12,740
	<u>\$1,568,427</u>	<u>\$1,450,209</u>

See accompanying notes

# LIMITED

(the Province of Ontario)

## Sheet

### LIABILITIES

	December 31,	
	1971	1970
CURRENT:		
Accounts payable .....	\$ 20,733	\$ 36,483
Expenses incurred by The Consumers' Gas Company for which Company's shares are to be issued (Note 3) .....	109,280	—

### SHAREHOLDERS' EQUITY

CAPITAL (Note 4):		
Authorized:		
5,000,000 Common shares, without par value		
Issued:		
1,472,303 Common shares (1,418,553 shares at December 31, 1970) .....	1,525,478	1,454,540
DEFICIT .....	87,064	40,814
	<u>1,438,414</u>	<u>1,413,726</u>

Approved on behalf of the Board of Directors:

W. F. MITCHELL (Director).

D. A. BERLIS (Director).

\$1,568,427 \$1,450,209

ing notes.



# SOGEPET LIMITED

## DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES

	Year Ended December 31,	
	1971	1970
EXPLORATION EXPENDITURES:		
Exploratory well drilling and related costs	\$ 254,863	\$ 297,210
Geophysical surveys	1,094,700	1,938,547
Group exploration expenditures	1,349,563	2,235,757
Less other participants' share	1,192,024	2,045,137
Company's share of expenditures	157,539	190,620
Engineering and geological services	25,690	21,390
Government fees and taxes	3,698	3,698
Telephone and telegraph	2,148	1,146
Miscellaneous	534	485
Total exploration expenditures	189,609	217,339
Administrative expenditures, per schedule	48,550	38,807
	238,159	256,146
Less interest income	22,317	61,976
Total expenditures for the year	215,842	194,170
Balance deferred at beginning of year	949,199	755,029
Balance deferred at end of year	<u>\$1,165,041</u>	<u>\$ 949,199</u>

## STATEMENT OF DEFICIT

Balance at beginning of year	\$ 40,814	\$ 40,214
ADD:		
Commission re Consumers' Gas agreement	46,250	—
Cost of petroleum and natural gas exploratory permits abandoned	—	600
Balance at end of year	<u>\$ 87,064</u>	<u>\$ 40,814</u>



# SOGEPET LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year Ended December 31,	
	1971	1970
SOURCE OF FUNDS:		
Issue of capital stock .....	\$ 70,938	\$ 2,812
Net decrease in work deposits .....	—	32,523
	70,938	35,335
Less shares issued as commission re Consumers' Gas agreement .....	31,250	—
	39,688	35,335
APPLICATION OF FUNDS:		
Exploration and administrative expenditures .....	215,842	194,170
Less expenditures paid by The Consumers' Gas Company (Note 3) ...	109,280	—
	106,562	194,170
Work deposits on petroleum and natural gas exploratory permits .....	39,340	—
Acquisition of interests in petroleum and natural gas exploratory permits	—	20
Commission re Consumers' Gas agreement paid in cash .....	15,000	—
Stock exchange listing expenses .....	7,554	—
	168,456	194,190
Decrease in working capital .....	128,768	158,855
Working capital at beginning of year .....	626,989	785,844
Working capital at end of year .....	\$ 498,221	\$ 626,989

See accompanying notes.

## SCHEDULE OF ADMINISTRATIVE EXPENDITURES

Office rent and administrative services .....	\$ 7,950	\$ 7,088
Manager's salary (Calgary) .....	9,300	7,500
Directors' fees .....	1,800	500
Legal and audit .....	12,533	7,586
Annual meeting expenses .....	5,146	2,723
Public relations and shareholders' information .....	2,037	3,679
Transfer agent's fees and expenses .....	1,541	2,030
Telephone .....	577	1,583
Travel .....	4,980	3,707
Government fees and taxes .....	87	332
Miscellaneous .....	2,599	2,079
	\$ 48,550	\$ 38,807



# SOGEPET LIMITED

## NOTES TO FINANCIAL STATEMENTS

December 31, 1971

### 1. WORK DEPOSITS AND CONTINGENT LIABILITY:

Bank deposit receipts in the amount of \$121,200 have been pledged as security to the bank which has guaranteed \$121,035 of the Company's promissory notes deposited with government departments in lieu of cash work deposits. These notes will be returned to the Company in amounts equal to the allowable expenditures made within various stipulated time limits.

The work deposits of \$129,153 shown on the balance sheet include the above mentioned \$121,200 deposit receipts as well as \$7,953 deposited in cash.

### 2. PETROLEUM AND NATURAL GAS EXPLORATORY PERMITS:

The Company is a participant in four petroleum and natural gas exploration ventures in the Hudson Bay area covering a total of 32,637,682 gross acres as follows:

Exploration Group Affiliation	Gross Acreage	Sogepet Net Acreage
Aquitaine-Sogepet group	6,724,870	1,753,782
Aquitaine-Arco group	15,072,288	994,771
Texas Gulf group	7,792,163	1,558,433
Banner Petroleum group	3,048,361	609,672
	<u>32,637,682</u>	<u>4,916,658</u>

The Company's interest in the Aquitaine-Sogepet and the Aquitaine-Arco acreage is subject to a gross overriding royalty varying from .2% to 1.0% of all petroleum substances produced from such acreage.

The Company has received an interest in a 3% gross overriding royalty on certain petroleum and natural gas exploratory permits in the Province of Manitoba in return for relinquishing its interest in such permits.

### 3. AGREEMENT WITH THE CONSUMERS' GAS COMPANY:

Under an agreement dated July 20, 1971, The Consumers' Gas Company has agreed to spend \$2,000,000 over the next three years on gas and oil exploration on licences in the Hudson and James Bay areas, in which the Company holds an interest. There is provision in the agreement for extending the time in which to spend the aforementioned amount under certain conditions.

Consumers' is to receive, for the expenditures incurred, fully paid shares of Sogepet's capital stock from time to time on the following basis:

700,000 shares at \$1.25 per share	\$ 875,000
500,000 shares at \$1.75 per share	875,000
125,000 shares at \$2.00 per share	250,000
<u>1,325,000 shares</u>	<u>\$2,000,000</u>

Consumers' may at any time purchase any of the above shares that remain unissued from time to time for cash at the prices indicated.

During the 60-day period after the expenditures have aggregated \$1,750,000, Consumers' has the option to subscribe for additional shares at a price equal to 75% of the average bid price per share



during the 90-day period preceding the exercise of the option, so that it will own 51.75% of the then issued capital of Sogepet.

During the term of the agreement with Consumers', Sogepet may not issue shares or grant options for the purchase of shares without the consent of Consumers' except that it may grant its officers, employees and directors options to purchase up to an aggregate of 100,000 shares, provided that it grants to Consumers' the right to purchase an equal number of shares on the same basis. This provision is also applicable to the 30,000 share option referred to in Note 5. (See also Note 7.)

To December 31, 1971, Consumers' has expended \$109,280 under this agreement.

#### 4. CAPITAL:

The following is an analysis of the Company's issued capital stock as at December 31, 1971:

	Common Shares	Amount
For cash .....	1,228,303	\$1,446,603
For services .....	94,000	71,375
In consideration for subscribing to preferred shares .....	150,000	7,500
	<u>1,472,303</u>	<u>\$1,525,478</u>

During the year ended December 31, 1971, the Company issued 32,500 shares of its capital stock for \$39,688 cash. 7,500 of such shares were issued to its Calgary manager for \$8,438 pursuant to an employee's incentive stock option granted in 1969. The remainder were issued to The Consumers' Gas Company at \$1.25 per share.

In addition, the Company issued 25,000 shares valued at \$31,250 to William F. Mitchell and Co Limited in part consideration for services rendered in connection with The Consumers' Gas agreement (see Note 3).

#### 5. MANAGEMENT CONTRACT AND EMPLOYEE'S INCENTIVE STOCK OPTION:

R. D. Johnson, Petroleum Geologist, has entered into a contract to act as the Company's Calgary office manager for the period July 1, 1971 to December 31, 1974, at a monthly salary of \$800 for 1971 and increasing by \$100 per month in each year thereafter.

The Company granted to Mr. Johnson an employee's incentive stock option to purchase a total of 30,000 shares of the Company's capital stock at prices 20% less than the average bid price of the shares over the 90 days preceding the exercise of an option. The options are exercisable in varying lots at dates ranging between December 31, 1971 and January 30, 1975. (See Note 7.)

The Company also entered into a contract under which R. D. Johnson & Associates Ltd. agreed to act as the Company's professional and technical advisor and to provide at its own expense the office facilities including staff for the Company's Calgary office. In consideration for same, the Company has agreed to pay, for the period July 1, 1971 to December 31, 1974, \$1,750 per month for 1971, to be increased by \$100 per month in each year thereafter.

#### 6. DEFERRED EXPENDITURES:

	December 31, 1971	1970
Exploration .....	\$1,078,865	\$ 889,256
Administrative, net of interest income .....	86,176	59,943
	<u>\$1,165,041</u>	<u>\$ 949,199</u>

#### 7. SUBSEQUENT EVENT:

Subsequent to December 31, 1971, Mr. Johnson purchased 4,000 shares of the Company's capital stock for \$4,160 pursuant to his employee incentive stock option referred to in Note 5. Consumers' Gas exercised its right as referred to in Note 3 and purchased an equal number of shares for the same consideration.

ACREAGE HOLDINGS			
GROUP	Group Gross Acres	Sogepet Equity	Net Acres
<u>Aquitaine Co. of Canada Ltd. — Operator —</u> Atlantic Richfield Canada Ltd. Elf Oil Exploration & Production (Canada) Limited Canadian Fina Oil Limited Sogepet Limited	<u>Aquitaine/Arco Group</u>  <u>Off-Shore</u> <u>15,072,288</u>	6.6%	<u>994,771</u>
<u>Aquitaine Co. of Canada Ltd. — Operator —</u> Sogepet Limited Elf Oil Exploration & Production (Canada) Limited Teck Corporation Limited Western Decalta Petroleum Ltd. Texas Gulf Sulphur Company Bralorne Petroleums Limited Canadian Fina Oil Limited	<u>Aquitaine/Sogepet Group</u> <u>Off-Shore</u> 1,843,937 Hudson Bay <u>Lowlands</u> 1,295,933 <u>Man.</u> 309,373 Net (68,990) <u>Ont.</u> 986,560 Net (220,003) L/O    14,804 <u>James Bay Lowlands</u> L/O 14,488    3,204,000 L/O 14,508    381,000 <u>6,724,870</u>	22.3%   22.3%       28.9% 33.5%	411,198   288,993       925,956 127,635 <u>1,753,782</u>
<u>Texas Gulf Sulphur Company — Operator —</u> Sogepet Limited Teck Corporation Limited Canadian Homestead Oils Ltd.	<u>Texas Gulf/Sogepet Group</u> <u>Off-Shore</u> 7,366,314 <u>North. Islands</u> 425,849 <u>7,792,163</u>	20.0%  20.0%	   <u>1,558,433</u>
<u>Banner Petroleums Limited (Trans-Canada Pipelines) — Operator —</u> Sogepet Limited Asamera Oil Corporation Ltd. Teck Corporation Limited	<u>Banner/Sogepet Group</u> <u>Off-Shore</u> <u>3,048,361</u>	20.0%	<u>609,672</u>
<b>TOTAL ACREAGE</b>	<u>32,637,682</u>		<u>4,916,658</u>



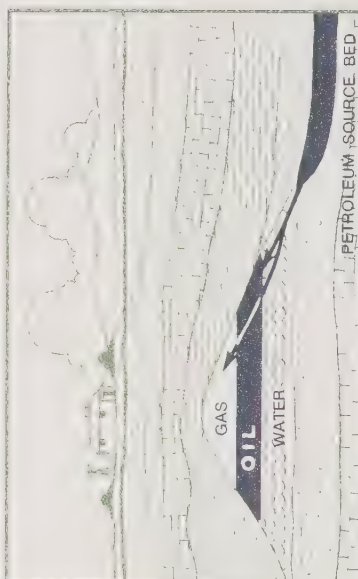
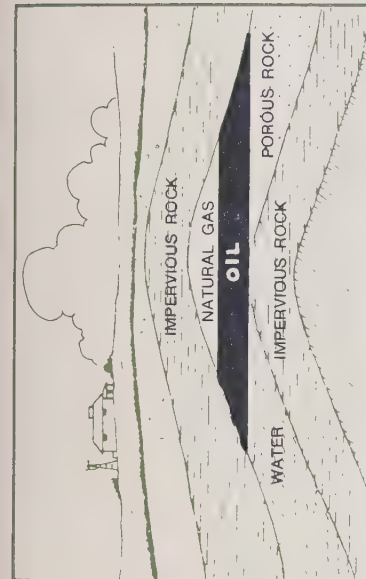
# ORIGIN OF PETROLEUM

Many geologists believe simple forms of marine life in ancient seas were the source material for petroleum.

Sediments cover the remains of sea creatures.

Through the ages the sediments become thicker.

Pressure of sediments and other forces turn remains of sea creatures to oil and natural gas.



# THE PETROLEUM TRAP

## THE DOME TRAP

Oil and gas is often found in folds in rock strata. Besides the dome type shown there are also anticlines and monocline folds. The petroleum found its way to reservoirs of porous rock which held it in much the same way as a sponge holds water. Some escaped to the surface but much is held in place by caps of impervious rock. Oil "floats" above the denser water, which is often salty. Gas, less dense than the oil, is present above the oil.

## THE FAULT TRAP

A fault is a split or crack in the earth's crust. When this crack occurs, movement generally takes place. If oil-bearing strata are present, oil which might otherwise have escaped to the surface is trapped by impervious rock present at the other side of the fault. Faulting often occurs as a complicating factor in other forms of traps in Ontario Oilfields.

## THE STRATIGRAPHIC TRAP

In this type the porous rock tapers off under the impervious capping rock. This may be due to it being the limit of the original sea or to the presence of an unconformity.

## THE REEF TRAP

Coral reefs, which once approached the surface of ancient seas, form the basis of oil-bearing deposits. Plant and animal life was abundant in the seas around such reefs. These reefs where later covered by deposits which now form impervious rocks and prevent upward seepage.











## SOGEPET LIMITED

Suite 418, 170 Bloor Street West  
Toronto 5, Ontario

## NOTICE OF THE ANNUAL AND A GENERAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the annual and a general meeting of the shareholders of SOGEPET LIMITED (hereinafter called the "Corporation") will be held in the Library, Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Tuesday, the 6th day of April, 1971 at the hour of 10:00 o'clock in the forenoon (Toronto time) for the following purposes:

- new authorized capital*
- (1) To receive the balance sheet of the Corporation as at December 31, 1970 and the related statements thereto for the year ended December 31, 1970, together with the reports of the directors and auditors thereon;
  - (2) To elect directors;
  - (3) To appoint auditors;
  - (4) To consider and if deemed advisable to confirm with or without amendment so that same shall be a special resolution of the Corporation a resolution passed by the directors authorizing the Corporation to amend its articles of incorporation —
    - (a) by increasing its authorized capital from 2,000,000 shares without par value to 5,000,000 shares without par value by the creation of an additional 3,000,000 shares without par value ranking on a parity with the existing shares; provided however that the shares without par value shall not be issued for an aggregate consideration exceeding in amount or value the sum of \$5,000,000 or such greater amount as the Board of Directors of the Corporation by effective resolution determines;
    - (b) to provide that the Corporation may purchase any of its common shares out of surplus in accordance with the provisions of The Business Corporations Act, 1970;
  - (5) To consider and if deemed advisable, to confirm with or without amendment —
    - (a) By-law Number 7, being a By-law to repeal By-law Number 1 of the Corporation (being a by-law dealing generally with the affairs of the Corporation) and By-law Number 6 relating to the quorum of the board of directors of the Corporation;
    - (b) Each of By-laws Numbers 8 to 78 inclusive, being by-laws dealing generally with the affairs of the Corporation;
    - (c) By-law Number 79, being a by-law fixing the remuneration of directors as such and fixing the period of time during which such remuneration is paid;
    - (d) Special By-law Number 80, being a by-law permitting the Corporation to pay commissions on the sale of its securities.

Copies of By-laws Numbers 7 to 80 inclusive, accompany and form part of this notice of meeting;

- (6) To transact such further and other business as may properly come before the meeting.

DATED at Toronto, Ontario, this 10th day of March, 1971.

By Order of the Board,

C. A. WOLF,  
Secretary.

If you cannot be present at the annual and a general meeting of shareholders you are respectfully requested to date, sign and return the enclosed instrument of proxy in the envelope which accompanies this notice.

# SOGEPET LIMITED

Suite 418, 170 Bloor Street West  
Toronto 5, Ontario

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## INFORMATION CIRCULAR

### MANAGEMENT SOLICITATION

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF SOGEPET LIMITED (THE "CORPORATION") FOR USE AT THE ANNUAL AND A GENERAL MEETING OF THE SHAREHOLDERS OF THE CORPORATION TO BE HELD ON APRIL 6th, 1971, IN THE ROYAL YORK HOTEL, 100 FRONT STREET WEST, TORONTO, ONTARIO, FOR THE PURPOSES SET OUT IN THE ACCOMPANYING NOTICE OF MEETING.

The cost of this solicitation will be borne by the Corporation. In addition to the use of the mails, proxies may be solicited by officers, directors and regular employees of the Corporation personally or by telephone. The Corporation does not expect to pay compensation for the solicitation of proxies.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

At the date hereof 1,414,803 shares without par value of the Corporation were issued and outstanding as fully paid and non-assessable.

Holders of outstanding shares of record at the date of the annual and a general meeting will be entitled to one vote per share at such meeting. To the knowledge of the directors and senior officers no person or corporation owned beneficially, directly or indirectly more than 10% of the outstanding equity shares of the corporation at the date hereof.

Two persons present in person and each holding at least one share in the capital stock of the Corporation constitute a quorum at any meeting of the shareholders.

### REVOCATION OF PROXY

A shareholder who has given a proxy may revoke it by

- (a) Signing a proxy bearing a later date and delivering same to the Secretary of the Corporation;
- (b) As to any matter on which a vote shall not already have been taken, pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Corporation or the Chairman of the meeting;
- (c) By attending and voting personally at the meeting.



## ELECTION OF DIRECTORS

Name and Address	Office Held	Present Principal Occupation	Period of Service	Shares Owned as at March 4th, 1971 Directly/Indirectly	
DR. FRANC. R. JOUBIN, 500 Avenue Road, Toronto, Ontario.	Director & President	Consulting Geologist, Self-Employed	Since September 18, 1962	39,949	*
JOHN J. JODREY, Hantsport, Nova Scotia.	Director	Executive and Financier	Since April 10, 1967	1	**
JOSEPH SEDGWICK, Q.C., 158 Forest Hill Road, Toronto, Ontario.	Director	Counsel for Seed, Greer, Long, Campbell & Howard Barristers and Solicitors	Since September 18, 1962	5,551	
DOUGLAS A. BERLIS, Q.C., 1 Suncrest Drive, Don Mills, Ontario.	Director	Senior Partner Edison, Aird & Berlis, Barristers and Solicitors	Since June 24, 1964	3,500	
WILLIAM F. MITCHELL, 50 Prince Arthur Ave., Toronto, Ontario.	Director & Vice-President	President of William F. Mitchell and Co. Limited, Industrial Consultants	Since February 11, 1969	5,601	
JAMES P. MANLEY, Q.C., 25 Country Lane, Willowdale, Ontario.	Director	Senior partner of Manley, Grant & Camisso, Barristers and Solicitors	Since May 11, 1970	5,001	

\* Jayfran Enterprises Limited ..... 57,000 shares  
 Franc. R. Joubin & Associates Mining Geologists Limited ..... 36,500 shares  
 These two companies are owned and controlled by Franc. R. Joubin.

\*\* Hants Investments Limited is the registered and beneficial owner of 69,000 shares. John J. Jodrey is the President and a director of that company.

Each of the above persons is proposed to be elected as a director of the Corporation to serve until the next annual meeting of shareholders or until his successor is elected or appointed. The Board of Directors of the Corporation is composed of six directors.

Management has no reason to believe that such persons nominated will not be available, but in the event that any nominee should be unable to serve for any reason, the persons named in the accompanying instrument of proxy will vote in accordance with their best judgment.

## REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No salaries are paid to directors or officers as such. Up to January 1, 1971, the Corporation paid \$25. to each director for each meeting he attended. During 1970 the Corporation has paid a total of \$500. in directors' fees. Subject to By-law 79 being confirmed by the shareholders, the Corporation will from January 1, 1971 pay \$50. to each director for each meeting of the Board of Directors which he attends.

The Corporation has paid a total of \$6,450. to Franc. R. Joubin & Associates Mining Geologists Limited, a company controlled by Franc. R. Joubin, the President and a director of the Corporation, for accounting and secretarial services for the period January 1 to December 31, 1970; and also paid to Franc. R. Joubin & Associates Mining Geologists Limited \$3,255. for engineering services provided to the Corporation by Franc. R. Joubin.

## APPOINTMENT OF AUDITORS OF THE CORPORATION

Management of the Corporation proposes to vote for the re-appointment of Laventhol Krekstein Horwath & Horwath, as auditors of the Corporation, to hold office until the next annual meeting of shareholders of the Corporation.

## **CERTAIN MATTERS TO BE ACTED UPON**

The annual and a general meeting of the shareholders is being called, among other purposes, to consider and if deemed advisable, to confirm certain matters of special business related to the Corporation.

The first of these matters is the proposed amendment of the articles of incorporation (letters patent) of the Corporation to increase the authorized capital from 2,000,000 shares without par value to 5,000,000 shares without par value (the additional 3,000,000 shares to rank equally in all respects with the existing shares), and to provide that the Corporation may purchase any of its common shares out of surplus, in accordance with the provisions of The Business Corporations Act, 1970. The shareholders will be asked to consider and if approved, confirm a resolution of the directors authorizing the Corporation to so amend its articles. The resolution of the directors requires confirmation by at least two-thirds of the votes cast at the meeting of shareholders, in order that it become a special resolution of the Corporation.

In addition, shareholders at the coming meeting will be asked to consider and if deemed advisable, with or without amendment, confirm certain by-laws of the Corporation passed by the directors. The first of these is By-law Number 7 which repeals the former By-law Number 1 (general code of by-laws) and By-law Number 6 relating to the quorum of directors. By-laws 8 to 78 inclusive are proposed as the new general code of By-laws. By-law Number 79 fixes the remuneration of the directors and the period of time during which the same may be paid. Special By-law Number 80 permits the Corporation to pay commissions on the sale of its securities. Copies of all of the said by-laws form a part of the notice of meeting. Each of the by-laws requires confirmation by a majority of the votes cast at the meeting of shareholders.

By-laws Numbers 7 and 8 to 78 inclusive, are effective from the time of their passing by the directors, and will continue in effect if confirmed by the shareholders.

By-law Number 79 and Special By-law 80 will only become effective upon their confirmation at the meeting of the shareholders.

The new by-laws are designed to ensure that the Corporation's by-laws shall comply with The Business Corporations Act, 1970.

## **VOTING PROXIES**

THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY WILL VOTE THE SHARES IN RESPECT OF WHICH THEY ARE APPOINTED IN ACCORDANCE WITH THE DIRECTIONS OF THE SHAREHOLDERS APPOINTING THEM.

IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND APPOINTMENT OF AUDITORS AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR.

DATED the 10th day of March, 1971.